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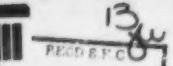
FORM 10-Q



SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

EQL-2239

For the quarterly period ended March 31, 1992

Commission file number 0-17864

DAWN CAPITAL CORP.
(Exact name of registrant as specified in its charter)

Delaware	13-3493060
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

29 Elm Avenue, Mount Vernon, New York 10550
(Address of principal executive offices)

(914) 668 - 1922
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

The number of shares outstanding of the registrant's common stock, $.001 par value, was 7,195,478 at May 8, 1992.

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DAWN CAPITAL CORP. AND SUBSIDIARIES

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DAWN CAPITAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Current Assets:		
Cash	$423,384	$466,100
Accounts receivable (Note 7)	808,427	1,132,510
Inventories (Note 2)	1,517,027	1,876,199
Other current assets	127,909	57,019
Total current assets	2,876,747	3,531,828
Property and Equipment, less accumulated depreciation and amortization of $497,905 in 1992 and $448,000 in 1991 (Note 3)	827,044	749,835
Other Assets	20,389	18,393
	$3,724,180	$4,300,056
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term notes payable (Note 4)	$1,450,000	$950,000
Current portion of long-term debt (Note 5)	52,571	53,556
Accounts payable and accrued expenses	466,137	1,490,695
Accrued payroll and related liabilities	77,198	104,954
Income taxes payable	63,675	143,965
Other current liabilities		26,791
Total current liabilities	2,109,581	2,769,961
Long-term Debt, less current portion (Note 5)	38,600	51,371
Commitments (Note 8)		
Stockholders' Equity:		
Common stock, $.001 par value, 15,000,000 shares authorized, 7,195,478 shares issued and outstanding in 1992, 7,045,478 shares issued and outstanding in 1991	7,195	7,195
Capital in excess of par value	1,383,665	1,383,665
Unearned restricted common stock issued	(81,250)	(107,500)
Retained earnings	266,389	195,364
Total stockholders' equity	1,575,999	1,478,724
	$3,724,180	$4,300,056

See the accompanying notes to consolidated financial statements.

DAWN CAPITAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
Three Months Ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Sales (Note 7)	$2,066,001	$1,702,684
Costs and Expenses:		
Cost of sales	1,598,129	1,231,048
Selling, general and administrative	320,346	177,663
Total costs and expenses	1,918,475	1,408,711
Income from Operations	147,526	293,973
Other Income (Expense):		
Interest income	1,396	
Interest expense	(29,897)	(13,900)
Total other income (expense)	(28,501)	(13,900)
Income Before Income Taxes	119,025	280,073
Income Taxes:		
Federal	36,000	50,000
State and local	12,000	20,074
Total income taxes	48,000	70,074
Net Income	$71,025	$209,999
Weighted Average Number of Common Shares Outstanding	7,195,478	7,045,478
Net Income per Common Share	$0.01	$0.03

See the accompanying notes to consolidated financial statements.

DAWN CAPITAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Three Months Ended March 31, 1992 and 1991
(Unaudited)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Unearned Restricted Common Stock Issued	Retained Earnings (Deficit)
Three Months Ended March 31, 1992					
Balances, December 31, 1991	7,195,478	$7,195	$1,383,665	($107,500)	$195,364
Common Stock Earned:					
Employee stock bonus plan				16,250	
Commission sales agent agreement				10,000	
Net Income					71,025
Balances, March 31, 1992	7,195,478	$7,195	$1,383,665	($81,250)	$266,389
Three Months Ended March 31, 1991					
Balances, December 31, 1990	7,045,478	$7,045	$1,233,215	$0	($84,109)
Net Income					209,999
Balances, March 31, 1991	7,045,478	$7,045	$1,233,215	$0	$125,890

See the accompanying notes to consolidated financial statements.

DAWN CAPITAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 1992 and 1991
Increase (Decrease) in Cash
(Unaudited)

	1992	1991
Cash Flows from Operating Activities:		
Net income	$71,025	$209,999
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	50,029	50,029
Expenses related to restricted common stock earned	26,250	
(Increase) decrease in assets:		
Accounts receivable	324,083	(77,214)
Inventories	359,172	(128,241)
Other current assets	(70,890)	(17,866)
Other assets	(2,120)	
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,024,558)	(105,779)
Accrued payroll and related liabilities	(27,756)	12,517
Income taxes payable	(80,290)	62,623
Other current liabilities	(26,791)	
Total adjustments	(472,871)	(203,931)
Net Cash Provided (Used) by Operating Activities	(401,846)	6,068
Net Cash Used by Investing Activities,		
Payments for purchases of property and equipment	(127,114)	(12,013)
Cash Flows from Financing Activities:		
Borrowing under short-term notes payable	500,000	
Principal payments on long-term debt	(13,756)	(19,943)
Net Cash Provided (Used) by Financing Activities	486,244	(19,943)
Net Decrease in Cash	(42,716)	(25,888)
Cash, Beginning of period	466,100	41,646
Cash, End of period	$423,384	$15,758
Supplemental Cash Flow Information, Cash paid for:		
Interest	$29,500	$2,170
Income taxes	$128,290	$6,843

See the accompanying notes to consolidated financial statements.

DAWN CAPITAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Summary of Significant Accounting Policies:

Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10–Q and do not include all the information and footnotes required by generally accepted accounting principles. All adjustments which are of a normal recurring nature and, in the opinion of management, necessary for a fair presentation have been included. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report filed in its Form 10–K for the year ended December 31, 1991.

Reclassifications

Certain 1991 items have been reclassified to conform with the 1992 presentation.

Note 2 – Inventories:

Inventories are comprised of the following:

	March 31, 1992 (Unaudited)	December 31, 1991
Finished goods	$292,052	$258,240
Work in process	273,785	222,595
Raw materials	951,190	1,395,364
	$1,517,027	$1,876,199

Note 3 – Property and Equipment:

Details of property and equipment are as follows:

	March 31, 1992 (Unaudited)	December 31, 1991
Land	$52,150	$52,150
Building and improvements	156,448	156,448
Leasehold improvements	103,189	62,280
Machinery and equipment	850,207	767,989
Office equipment	162,955	158,968
	1,324,949	1,197,835
Less accumulated depreciation and amortization	497,905	448,000
	$827,044	$749,835

DAWN CAPITAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 4 – Short–term Notes Payable:

The following is a summary of short–term notes payable:

	March 31, 1992 (Unaudited)	December 31, 1991
Short–term bank note payable under a line of credit of $1,500,000 at March 31, 1992 and $750,000 at December 31, 1991, bearing interest at 1% above the bank's prime rate, collateralized by certain assets of the Company and guaranteed by the Company's principal stockholders	$1,250,000	$750,000
Short–term notes payable to certain retirement plans affiliated with one of the Company's directors, bearing interest at 10%, payable on June 23, 1992 and guaranteed by the Company's principal stockholders	200,000	200,000
	$1,450,000	$950,000

Note 5 – Long–term Debt:

The following is a summary of long–term debt:

	March 31, 1992 (Unaudited)	December 31, 1991
Purchase money mortgage note payable in substantially equal monthly installments of $4,167 through 1993 bearing interest at the prime rate and collateralized by land and building	$87,500	$100,000
Obligations under capital equipment leases payable in monthly installments through May 1993	3,671	4,927
	91,171	104,927
Less current portion	52,571	53,556
	$38,600	$51,371

Aggregate future required principal payments at March 31, 1992 are as follows:

Year Ending March 31:	
1993	$52,571
1994	38,600
	$91,171

Note 6 – Related Party Transactions:

The Company leases office and factory space from the Company's president at an annual rent which is based upon the Company's square foot usage of the building. Rent expense was approximately $11,000 and $3,000 for the three months ended March 31, 1992 and 1991, respectively.

Note 7 – Major Customers:

The Company had the following approximate sales to major customers during the three months ended March 31, 1992 and 1991:

	1992	1991
A significant manufacturer of business machines	$1,120,000	$397,000
The U.S. Postal Service	500,000	1,095,000
	$1,620,000	$1,492,000

Accounts receivable includes approximately $513,000 from major customers at March 31, 1992.

Note 8 – Commitment:

In February 1992, the Company signed a five year contract with a sales agent for the purpose of marketing the Company's artificial Christmas trees and related products. The sales agent is entitled to receive a commission of 6% for all sales orders placed by the agent. Upon signing the agreement, the sales agent received the right to acquire 20,000 shares of the Company's common stock from the Company for one cent ($.01) per share. In addition, the Company has agreed to sell the sales agent 20,000 shares of common stock for one cent ($.01) per share in each of the remaining years (2 through 5) of the agreement if the sales agent is successful in achieving the following sales level for the Company's artificial Christmas trees and related products:

Contract Year	Sales Level
2	$2,000,000
3	2,750,000
4	3,250,000
5	4,000,000

If the sales agent is successful in achieving the sales levels for years four or five in any earlier year, the sales agent shall be entitled to purchase an additional 20,000 shares of common stock for one cent ($.01) per share for each goal achieved, whereupon, the sales levels for years four and five will be modified to $5,000,000 and $6,000,000. respectively.

DAWN CAPITAL CORP. AND SUBSIDIARIES

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations:

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial position and results of operations during the periods included in the accompanying consolidated financial statements.

Comparison of Operating Results for the Three Months Ended March 31, 1992 and 1991

Sales were $363,317 higher (a 21% increase) in 1992 because of the Company's entrance into new areas of business including, the sale of spare computer parts and artificial Christmas trees. Sales in these two areas were approximately $830,000 and $65,000, respectively, in 1992. The Company had no sales in these two areas in 1991. In addition, the Company experienced a decrease in sales to the United States Postal Service of approximately $595,000 resulting from lower requirements by the United States Postal Service for mail sorting carts and related spare parts.

Cost of sales as a percentage of sales was approximately 77% and 72% in 1992 and 1991, respectively. The cost of sales percentage was higher in 1992 because of changes in the Company's sales mix discussed above. The Company's sales of spare computer parts do not provide profit margins as high as the Company's previous sales areas because of the amortization of certain initial costs associated with the acquisition of materials and tooling used in this line of business. The Company's sales of artificial Christmas trees in 1992 were almost entirely sales of excess inventory from 1991 which was sold at cost and, accordingly, did not provide any profit in 1992. In addition, the Company is paying higher rates on employee health insurance which is contributing to the higher cost of sales percentage in 1992.

Selling, general and administrative expenses were $142,683 higher (an 80% increase) in 1992 because of commissions associated with the Company's sales of computer spare parts and artificial Christmas trees, higher consulting and professional fees associated with developing new areas of business and higher rates on employee health insurance.

Interest expense is approximately $16,000 higher in 1992 (a 115% increase) as a result of higher levels of borrowing needed to finance the Company's operations in the new business areas discussed above (spare computer parts and artificial Christmas trees).

Income from operations and net income decreased approximately $161,000 and $139,000, respectively, in 1992 as a result of the factors discussed above.

Liquidity and Capital Resources

The Company had working capital of approximately $767,000 and $762,000 at March 31, 1992 and December 31, 1991, respectively. Working capital ratios were 1.36 to 1 at March 31, 1992 and 1.27 to 1 at December 31, 1991. Working capital did not increase significantly in the three months ended March 31, 1991 primarily because the Company has utilized the profits during this period to invest in equipment for use in the production of artificial Christmas trees.

Liquidity and Capital Resources (Continued)

The Company is developing a seasonal business in artificial Christmas trees and related products and will need to borrow additional funds to finance production. Based upon anticipated sales and production levels, the management of the Company believes that the additional borrowing available under the Company's existing bank line of credit of $250,000 will be sufficient to finance production but may not be sufficient to allow the Company to repay certain notes payable in June 1992. Accordingly, management of the Company is currently seeking to obtain additional financing to allow the Company to meets its obligations.

Inflation

Although inflation has not been a significant factor in recent years, the Company continues to be cognizant of potential increases in prices and takes such factors into consideration when quoting prices and bids for contract awards.

Backlog

The Company's sales backlog was approximately $4,000,000 at March 31, 1992.

DAWN CAPITAL CORP. AND SUBSIDIARIES

Part II – Other Information

Item 1 – Legal Proceedings:

None

Item 2 – Changes in Securities:

None

Item 3 – Defaults Upon Senior Securities:

None

Item 4 – Submission of Matters to a Vote of Security Holders:

None

Item 5 – Other Information:

None

Item 6 – Exhibits and Reports on Form 8–K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DAWN CAPITAL CORP.
(Registrant)

Date May 18, 1992

Andrew D'Aloia, President,
Principal Executive Officer

Date May 18, 1992

John F. McTigue, Treasurer,
Chief Financial Officer